

## Message Text

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PAGE 01 TAIPEI 04660 030428Z  
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 EB-08 L-03 H-01 COME-00  
OMB-01 OPIC-03 FRB-03 STR-04 CIAE-00 INR-07  
NSAE-00 /038 W  
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R 030336Z AUG 77  
FM AMEMBASSY TAIPEI  
TO SECSTATE WASHDC 4488

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FOR EA/ROC AND EB/TCA/MA

E.O. 11652: N/A  
TAGS: EWWT, TW, EFIN  
SUBJECT: SEA-LAND TAX PROBLEMS

REF: (A) STATE 164491, (B) STATE 177652, (C) STATE 178351

1. AT MEETING BETWEEN SEA-LAND REPRESENTATIVES (INCLUDING PHILIP ENGLAND) AND WEI-HSIN KING, DIRECTOR OF TAXATION OF THE ROC'S MINISTRY OF FINANCE, ATTENDED BY EMBASSY OFFICER (MEMCON BEING POUCHED), KING STATED THAT ROC WOULD ACCEPT SEA-LAND'S FINAL (AUDITED OR CLOSED) RETURN, WHENEVER IT WAS AVAILABLE; SEA-LAND AGREED TO PAY INTEREST CHARGES ON ADDITIONAL TAXES DUE, IF ANY. MAIN TAX VO3. (PROPOSED ASSESSMENT BY GROC OF U.S. \$6 MILLION IN TAXES FOR TAX YEARS STILL UNDER AUDIT BY UNITED STATES IRS) THUS APPEARS TO HAVE BEEN RESOLVED, WITHOUT TAX LIABILITY TO SEA-LAND.
2. LETTER (REFTEL B) DELIVERED TO KING, WITH MINOR ALTERATION TO REFLECT FACT THAT ENGLAND HAD MET WITH KING BEFORE TELEGRAM ARRIVED. CONTENTS OF REFTEL C ALSO FORWARDED TO DIRECTOR KING.

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3. LOSS CARRY FORWARD PROBLEM: QUESTION OF WHETHER SEA-LAND CAN UTILIZE LOSS CARRY FORWARD PROVISION (ARTICLE 39 OF THE ROC INCOME TAX LAW) IS STILL UNDER REVIEW BY ADMINISTRATIVE COURT HERE. ATTORNEY ENGLAND WAS MOST CONCERNED WITH THE RESOLUTION OF PROBLEM DESCRIBED IN PARA 1, AND DID NOT WISH TO PURSUE THIS COMPARATIVELY MINOR PROBLEM (POTENTIAL TAX LIABILITY ESTIMATED BY SEA-LAND TO BE U.S. \$400,000) AT THIS

TIME, PENDING EXHAUSTION OF JUDICIAL REMEDIES.

4. RESPONSE TO QUESTION RAISED IN REFTEL B, PARA 1, CONCERNING TAX TREATMENT OF OTHER FOREIGN CARRIERS: NO OTHER CARRIER HERE IS IN SEA-LAND'S POSITION. ALL U.S. CARRIERS IN THE ROC ARE EXEMPT FROM ROC INCOME TAX, UNDER THE PROVISIONS OF THE EXCHANGE OF NOTES BETWEEN THE U.S. AND THE ROC (FEBRUARY 22, 1972). SEA-LAND, HOWEVER, USES NON-U.S. FLAG VESSELS FOR SOME OF ITS SERVICE HERE, AND HAS PAID LOCAL TAXES BASED ON REVENUE GENERATED BY SUCH VESSELS. OTHER AMERICAN CARRIERS HERE EITHER (1) DO NOT USE NON-U.S. VESSELS, OR (2) ARE REPRESENTED BY AN AGENT HERE (SEA-LAND HAS A BRANCH), OR BOTH. ARTICLE 25, PARAGRAPH 2 OF THE ROC INCOME TAX LAW PERMITS ENTERPRISES USING AGENTS TO BE TAXED ACCORDING TO LOCAL REVENUE, WITHOUT REGARD TO WORLD-WIDE COMPANY INCOME, THUS AVOIDING ANY PROBLEMS WITH TAX RETURNS FROM OTHER COUNTRIES. MAJOR THIRD-COUNTRY CARRIERS HERE ARE ALSO REPRESENTED BY AGENTS. THEREFORE, IT DOES NOT APPEAR THAT TAX RULES HERE ARE BEING APPLIED IN A MANNER DISCRIMINATORY TO SEA-LAND, AND LETTER IN REFTEL B DID NOT REQUIRE REVISION.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**Disposition History:** n/a  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
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**Reference:** 77 STATE 164491, 77 STATE 177652, 77 STATE 178351  
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**TAGS:** EWWT, EFIN, TW, US, SEALAND SERVICES INC, (ENGLAND, PHILIP)  
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**Review Markings:**  
Margaret P. Grafeld  
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